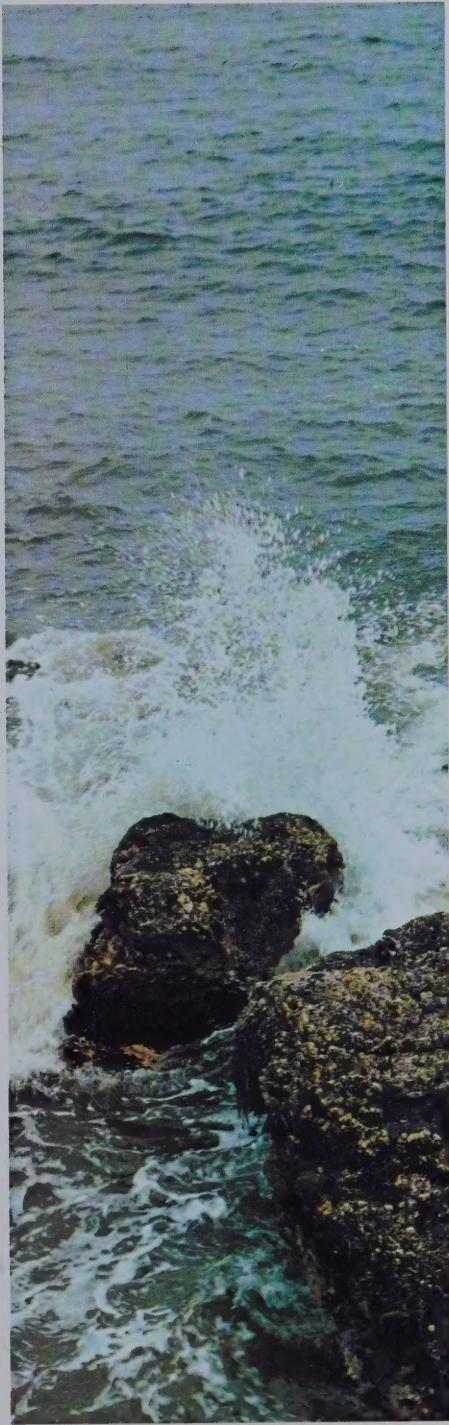
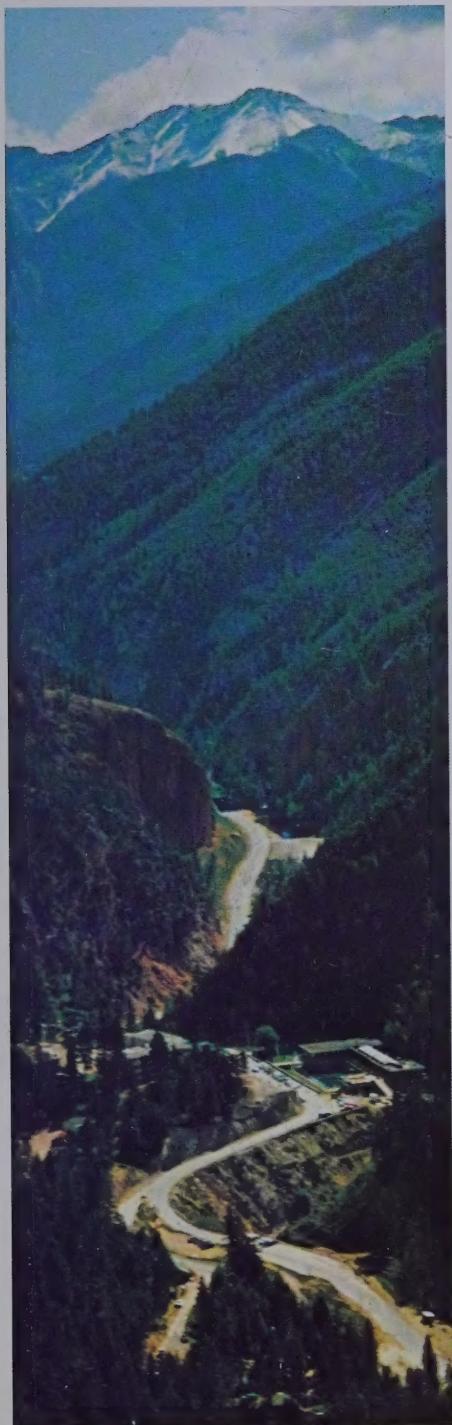




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Bank of British Columbia
Third Annual Statement and Report, 1970



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Bank of British Columbia

**Fourth Annual
Statement**

Year ended October 31, 1971

ANNUAL STATEMENT HIGHLIGHTS

	1971	1970	% INCREASE
TOTAL ASSETS	\$178,292,905	\$121,270,992	47.0
DEPOSITS	163,311,927	107,134,447	52.4
LOANS	124,294,157	68,289,577	82.0
SECURITIES	28,202,726	35,102,653	(19.7)
BALANCE OF REVENUE	924,145	523,338	76.6
BALANCE OF PROFITS FOR THE YEAR	201,145	157,338	27.8
DIVIDEND PAID	51,056	—	N/A
SHAREHOLDERS' EQUITY (Including accumulated appropriations for losses)	13,779,727	13,167,959	4.6
NUMBER OF SHARES ISSUED	510,555	510,555	—

Board of Directors

ALBERT E. HALL

Chairman of the Board and President

EINAR M. GUNDERSON, F.C.A.

Honorary President

HAROLD B. ELWORTHY

Vice President

DONALD M. CLARK, Q.C.

Secretary

J. BENE

Vancouver, B.C.

Chairman of the Board,
Weldwood of Canada Limited

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Westbank, B.C.

President, Bennett's Stores (Kamloops) Ltd.

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West Vancouver, B.C.

Vice-President, Cumont Mines Ltd.

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Kamloops, B.C.

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J. A. McMAHON

Vancouver, B.C.

Chairman of the Board, President and
Chief Executive Officer,
Inland Natural Gas Company Ltd.

W. C. MEARNS

Victoria, B.C.

President, Rockcliffe Estates Ltd.

A. H. MITCHELL

Edmonton, Alberta

President, Mitchell & Associates Ltd.

J. B. SMITH

Kelowna, B.C.

President, Okanagan Holdings Limited

BANK OF BRITISH COLUMBIA

**Statement of Revenue,
Expenses and Undivided Profits**For the financial year ended
October 31, 1971(With comparative figures for
preceding year)

	1971	1970
REVENUE:		
Income from loans	\$ 7,359,833	\$5,127,170
Income from securities	2,505,127	1,967,211
Other operating revenue	517,704	300,284
Total revenue	<u>10,382,664</u>	7,394,665
EXPENSES:		
Interest on deposits	5,495,376	4,066,555
Salaries, pension contributions and other staff benefits	1,984,282	1,407,056
Property expenses, including depreciation	638,738	453,183
Other operating expenses, including provision for losses on loans based on four-year (three-year in 1970) average loss experience	<u>1,340,123</u>	944,533
Total expenses	<u>9,458,519</u>	6,871,327
Balance of revenue	924,145	523,338
Appropriation for losses	540,000	250,000
Balance of profits before income taxes	384,145	273,338
Provision for income taxes relating thereto	183,000	116,000
Balance of profits for the year	201,145	157,338
Dividend	51,056	—
Amount carried forward	150,089	157,338
Undivided profits at beginning of year	38,291	30,953
	<u>188,380</u>	188,291
Transferred to rest account	150,000	150,000
Undivided profits at end of year	<u>\$ 38,380</u>	\$ 38,291

BANK OF BRITISH COLUMBIA

Statement of Accumulated Appropriations for LossesFor the financial year ended
October 31, 1971(With comparative figures for
preceding year)

	1971	1970
ACCUMULATED APPROPRIATIONS AT BEGINNING OF YEAR:		
General	\$ 474,118	\$ 311,466
Tax-paid	—	—
Total	<u>474,118</u>	<u>311,466</u>
ADDITIONS (DEDUCTIONS) DURING YEAR:		
Appropriation from current year's operations	540,000	250,000
Loss experience on loans less provision included in other operating expenses	(69,025)	(87,348)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	(9,296)	—
	<u>461,679</u>	<u>162,652</u>
ACCUMULATED APPROPRIATIONS AT END OF YEAR:		
General	935,797	474,118
Tax-paid	—	—
Total	<u>\$ 935,797</u>	<u>\$ 474,118</u>

Statement of Rest AccountFor the financial year ended
October 31, 1971(With comparative figures for
preceding year)

	1971	1970
Balance at beginning of year	\$7,550,000	\$7,400,000
Transferred from undivided profits	150,000	150,000
Balance at end of year	<u>\$7,700,000</u>	<u>\$7,550,000</u>

BANK OF BRITISH COLUMBIA

**Statement of Assets and
Liabilities, as at October 31, 1971**(With comparative figures for
preceding year)

ASSETS	1971	1970
CASH RESOURCES:		
Cash and due from banks	\$ 14,865,410	\$ 10,252,214
Cheques and other items in transit, net	<u>7,630,100</u>	<u>4,855,336</u>
	<u>22,495,510</u>	<u>15,107,550</u>
SECURITIES:		
Securities issued or guaranteed by Canada, at amortized value	7,713,743	5,306,057
Securities issued or guaranteed by provinces, at amortized value	1,560,569	1,929,236
Other securities, not exceeding market value	18,928,414	27,867,360
	<u>28,202,726</u>	<u>35,102,653</u>
LOANS:		
Day, call and short loans to investment dealers and brokers, secured	23,938,148	18,722,413
Other loans, including mortgages, less provision for losses	100,356,009	49,567,164
	<u>124,294,157</u>	<u>68,289,577</u>
Bank premises, at cost less amounts written off	1,461,550	1,217,338
Securities of and loan to a corporation controlled by the Bank	787,991	661,509
Customers' liability under acceptances, guarantees and letters of credit, as per contra	910,141	722,336
Other assets	140,830	170,029
	<u>\$178,292,905</u>	<u>\$121,270,992</u>

LIABILITIES**DEPOSITS:**

	1971	1970
Deposits by Canada	\$ 1,497,905	\$ 304,743
Deposit by a province	6,297,984	8,613,349
Deposits by banks	16,774,478	8,031,314
Personal savings deposits payable after notice, in Canada, in Canadian currency	28,908,660	19,962,531
Other deposits	<u>109,832,900</u>	<u>70,222,510</u>
	<u>163,311,927</u>	<u>107,134,447</u>
Acceptances, guarantees and letters of credit	910,141	722,336
Other liabilities	291,110	246,250
Accumulated appropriations for losses	935,797	474,118

SHAREHOLDERS' EQUITY:**Capital stock:**

Authorized 1,000,000 shares, par value \$10 each		
Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest account	7,700,000	7,550,000
Undivided profits	<u>38,380</u>	<u>38,291</u>
	<u>12,843,930</u>	<u>12,693,841</u>
	<u>\$178,292,905</u>	<u>\$121,270,992</u>

ALBERT E. HALL, *President*VICTOR DOBB, *General Manager***Auditors' Report to the Shareholders**

We have examined the statement of assets and liabilities of Bank of British Columbia as at October 31, 1971 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the foregoing statements present fairly the financial position of the Bank as at October 31, 1971 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

R. W. Underhill, F.C.A.
of Peat, Marwick, Mitchell & Co.

D. Lukin Johnston, F.C.A.
of Price Waterhouse & Co.

Vancouver, British Columbia
November 15, 1971.

AUDITORS

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STATEMENT OF A CONTROLLED
CORPORATION
BBC REALTY LTD.

**Statement of Assets and
Liabilities, as at October 31, 1971**

(With comparative figures for
preceding year)

	1971	1970
ASSETS		
Agreements receivable	\$309,888	\$144,002
Land and buildings, at cost less accumulated depreciation	477,225	535,187
Other assets	878	989
	\$787,991	\$680,178
LIABILITIES		
Loan from Bank of British Columbia	\$777,991	\$651,509
Other liabilities	—	18,669
Capital stock:		
Authorized 10,000 shares, par value \$100 each		
Issued and fully paid, 100 shares	10,000	10,000
	\$787,991	\$680,178

NOTE:

The Bank owns the entire capital stock of BBC Realty Ltd. which is carried on the books of the Bank at \$10,000.

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the statement of assets and liabilities of BBC Realty Ltd., a controlled corporation, as at October 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement of assets and liabilities presents fairly the financial position of the corporation as at October 31, 1971.

R. W. Underhill, F.C.A.
of Peat, Marwick, Mitchell & Co. }
D. Lukin Johnston, F.C.A. }
of Price Waterhouse & Co. } AUDITORS

Vancouver, British Columbia
November 15, 1971.

EXECUTIVE OFFICERS

ALBERT E. HALL, *Chairman of the Board and President*

VICTOR DOBB, *General Manager*

Assistant General Managers

HUGH DALGLEISH, *Credit*

F. PETER DARLING, *International*

G. HOWARD EATON, *Investments*

Assistant to the President

FRED W. VANSTONE

Chief Accountant

A. J. GRAHAM

Superintendents

R. E. P. ALLAN, *Credit*

J. M. A. BRIDEN, *Corporate Finance*

D. C. HORN, *International*

K. H. G. MAY, *Operations*

J. PANKRATZ, *Personnel*

Senior Supervisors

T. C. BRENNEN, *Operations*

D. J. CARLIN, *Branch Development*

G. H. FRIES, *Administration*

Chief Inspector

C. J. NORDSTROM

Supervisors

H. J. BOW, *International*

W. H. HOUSTON, *Credit*

D. R. HUGGINS, *Mortgages*

T. H. LaPOINTE, *Operations*

A. E. MILES-PICKUP, *Investments*

J. F. STIMSON, *Training*

J. C. WRIGHT, *Marketing*

Special Representative

J. C. H. TSOW, *International*

Branches

Vancouver

Main – 999 West Pender Street

F. H. MOWATT

Manager

G. M. FOX

Deputy Manager

K. S. RUSTAND

Assistant Manager

W. B. IBBOTT

Assistant Manager

M. C. GUTTORMSSON

Assistant Manager

W. E. SCHARFF

Assistant Manager, Administration

R. B. HAWKESWORTH

Assistant Manager, Securities

Broadway and Willow

K. R. GIBBS

Manager

1047 Denman Street

O. N. WELDE

Manager

Fraser and 48th

P. E. PALM

Manager

937 West Georgia Street

J. W. FRIES

Manager

A. H. D. JOHNSTON

Assistant Manager

Granville and 13th

J. ROSENKRANDS

Manager

Hastings and Penticton

A. M. HUMPHREYS

Manager

Kerrisdale

G. F. GREEN

Manager

Chilliwack

1 Main Street

R. R. THOMPSON

Manager

Cranbrook

6 S - 10th Avenue

H. D. LUNDELL

Manager

Kamloops

380 Victoria Street

L. C. EARLE

Manager

Kelowna

313 Bernard Avenue

R. E. SWAIL

Manager

Nanaimo

70 Commercial Street

W. W. ALLEN

Manager

New Westminster

731 Columbia Street

A. C. GRAHAM

Manager

A. J. GIBB

Assistant Manager

North Vancouver

1457 Lonsdale Avenue

J. W. SORENSEN

Manager

Vernon

3321 Barnard Avenue

J. D. KEMILA

Manager

Victoria

Main – 752 Fort Street

H. J. STEELE

Manager

Douglas and Johnson

G. HOWARD

Manager

West Vancouver

1645 Marine Drive

A. L. J. CUMMINGS

Manager



Bank of British Columbia

HEAD OFFICE: 1725 - TWO BENTALL CENTRE, VANCOUVER, BRITISH COLUMBIA

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Bank of British Columbia
Third Annual Statement and Report, 1970

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Board of Directors

***ALBERT E. HALL**

Chairman of the Board and President

Honorary President

EINAR M. GUNDERSON, F.C.A.

Vancouver, B.C.

Executive Director,

British Columbia Hydro and Power Authority

Vice President

***HAROLD B. ELWORTHY**

Victoria, B.C.

Honorary Chairman of the Board

Seaspan International Ltd.

Secretary

DONALD M. CLARK, Q.C.

Vancouver, B.C.

Partner, Clark, Wilson & Company

***J. BENE**

Vancouver, B.C.

Chairman of the Board,

Weldwood of Canada Limited

R. J. BENNETT

Westbank, B.C.

President, Bennett's Stores (Kamloops) Ltd.

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West Vancouver, B.C.

Vice President, Cumont Mines Ltd.

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Vancouver, B.C.

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Executive Officer, Inland Natural Gas

Company Ltd.

***W. C. MEARNS**

Victoria, B.C.

President, Rockcliffe Estates Ltd.

J. B. SMITH

Kelowna, B.C.

President, Okanagan Holdings Limited

President's Address



President, ALBERT E. HALL

I hardly need to remind you that for British Columbia the past year was not a cheerful one. Unemployment hovered near 7 per cent throughout much of 1970, while some 2.7 million man hours of work were lost in our province over labour disputes. Canada's adoption of a floating exchange rate policy caused an immediate and substantial drop in revenues for our forest products industry. Price declines in world metals markets have affected B.C.'s ability to finance its mining industry. The amount of tonnage shipped from B.C. ports in June was at a record low due to the towboat strike. When I review these and other facts, it is obvious that many of these problems are the result of national monetary and fiscal policies but some are the

result of unique conditions in British Columbia.

Economic Slowdown

A weakening or slowdown in our economy was not unexpected. Mr. Benson stated in his budget message in March of 1970 that the nation's fight against inflation could not be won without cost and that we could expect to see a general slowing of domestic economic activity and a rise in the level of unemployment. In an economy such as Canada's, vulnerable as it is to forces originating outside its own borders, the use of fiscal and monetary policy to control the level of economic activity requires a judicious hand. Indeed, in my last address to our shareholders, I voiced the hope that our authorities would be able to steer safely down the narrow path before them.

The Federal Government relied extensively upon the classical remedies of tight fiscal and monetary policies. Fiscal policy aimed primarily at a budgetary surplus, a 3 per cent surtax on corporate and personal income, and legislation reducing incentives to enter into certain kinds of new construction in Canada's urban centres. Monetary policy was especially orthodox. Excess demand has been eliminated through tight money and credit policies which in turn have slowed industrial activity, subsequently causing higher levels of unemployment for British Columbia

and Canada.

Some form of incomes policy capable of persuading us to moderation in the determination of prices and incomes was thought necessary. The prices and incomes commission obviously worked sincerely at reducing this kind of pressure on Canada's deeply entrenched inflation, but their success has been less than gratifying. I would suggest that this kind of approach is very limited. It is very difficult to "talk" inflation out of the economy or to change the economy's expectations regarding inflation. While there was a marked slowdown in the rate of rise in the consumer price index, this was not, unfortunately, the case with wages and salaries. This must be considered a major failing of the overall anti-inflationary effort.

A Floating Canadian Dollar

Compounding the impact of anti-inflationary policies upon the British Columbian economy was the Government's move to a floating exchange rate. I wish to make two comments regarding this particular action. First, the action of last May is viewed as necessary when one considers our defence against inflation but, and this is my second point, for the British Columbian economy the timing of this move had the effect of making an already difficult situation even worse.

In the second quarter of 1970, in spite of increasing signs of softness

in the economy and some price moderation, wages and salaries continued to rise, therefore a policy of restraint continued with only very modest changes. Record levels of interest rates coupled with an unusually favourable but temporary shift in the balance of trade served to encourage short term capital inflows. As reserves mounted, an upward speculation against the parity of the Canadian dollar turned this inflow of funds into a torrent, with the result that our exchange rate pushed almost continually against the upper limit permitted under international agreements. In an effort to maintain the old fixed parity, the Government was forced to accumulate substantial holdings of foreign exchange which in turn started to dismantle the defence against inflation by initiating a strong domestic monetary expansion.

Two policy alternatives were available. On the one hand, a relaxation of monetary restraint and a concentrated effort to bring down interest rates would have served to shut off or at least to reduce the capital inflow. But the risk, of course, was that an early relaxation would only serve to add fuel to inflationary fires. The other alternative, and the one that was chosen, was to allow a freely floating exchange rate.

Most people agreed that this was the wisest course of action and certainly, considering the economy's problems last May, I can only agree. However, I believe it would have been better

to free the dollar in 1969 rather than in 1970. This is especially so considering the authorities' desire to continue domestic restraint after the fixed parity was removed. British Columbia was well advanced into an economic downturn, unemployment was already high, corporate profits were down, housing starts were well off, and a good deal of slack in the domestic provincial economy existed. Our move to a floating exchange rate served only to worsen substantially an already cheerless situation in 1970. It is my belief that when we knew very early that a certain "transfer effect" of the U.S. rate of inflation was affecting Canada's domestic attempts to control its own inflation, our exchange rate should have been floated. Why, if a country's parity is in fact moveable, should we wait until something of a crisis exists? The articles of the International Monetary Fund Agreement notwithstanding, a well entrenched persistent inflation seems emergency enough to move to a floating dollar.

Canada has now managed to retard its rate of inflation and at not much sacrifice in real growth. As we move into an uptrend in business activity in 1971, it is very important that Canada maintains its competitive advantage in world trade. A strong export performance depends greatly on price stability and confidence in Canada's export industries. Therefore, I believe our authorities should consider repegging the exchange rate

but establish wider margins than the past one per cent spread on either side of par.

The Human Factor

So far I have spent my time discussing the impact of domestic monetary, fiscal, and exchange rate policy upon the British Columbia economy. There is, however, a question of an equally important nature which I believe should be given consideration. Most Canadians realize that the burden of inflation and the fight against it has disproportionately been borne by those least able to do so. In a country with our resources, technology, and human skills, we can and must solve this paradoxical problem. The economic waste and social dislocation caused by the classical solutions to inflation whatever their cause are generally unacceptable. One of our primary goals in the immediate future should be to discover how to simultaneously banish inflation and unemployment. I agree with Prime Minister Trudeau that this is one of the great challenges of the decade ahead.

A Brief Look at 1971

It is evident from the November budget message that the Government is still concerned with inflation. Indeed, the Minister of Finance several times expressed a continuing worry about inflation and this has certainly tempered his approach to

the problem of unemployment.

The Government again will be faced with the need to be extremely judicious in its approach towards regulating the economy. Too much ease will touch off inflation; too little could yield a temporary but stillborn recovery such as Canada experienced in 1959-60.

What we will probably see is a gradual recovery in the level of economic activity with most economic growth occurring in the second half of the year. Long term interest rates are expected to continue to decline, although how much further is somewhat difficult to say, and as we progress into economic recovery there will be an increased demand for bank credit.

A cloud upon the horizon is that of trade. There have been increasing calls for protectionism of one sort or another from the United States and Europe. Moreover, the effects of the change in exchange rate will begin to have an even greater impact as we move into the year. In many ways, Canada's future will be dependent upon its ability to persuade foreign governments to forego the temptation to restrict trade. If we are unsuccessful, the consequences could be serious for our own economic recovery.

Provincial Trade

Trade with our neighbours on the rim of the Pacific has been growing at a faster rate than with any

other region.

Japan's spectacular economic growth will provide a steady demand for Canadian products. British Columbia will continue to have the major share of this Japanese trade. As other countries in the Pacific rim industrialize, we can expect an ever increasing flow of trade in this area of the world.

The recent exchange of diplomats between Canada and China gives promise to growth in trade with that country. This trade will not come about overnight. Canada's experience in the 1950's when trade first began with Eastern Europe indicates that such commerce grows slowly. Although this growth was slow, it has been steady and the potential for Eastern Europe is still great. As China moves toward greater contacts with the west, the requirements of more than one quarter of the world's population will in many ways affect those resources, goods and services which Canada and British Columbia have to offer. British Columbia ports will enjoy a tremendously strategic advantage in this expected trade.

I expect another strong performance in B.C. exports in 1971. Last year's provincial exports were at high levels despite a very troubled forest products industry, but with U.S. housing starts rising we can project stronger U.S. markets for this part of our export economy. B.C. minerals and fuels will continue to contribute to our trade revenues. Additionally,

B.C. ports will continue to receive a fair portion of storing and loading contracts in Canada's wheat transactions.

Vancouver, A Head Office City

Vancouver has in the past few years experienced substantial changes in its financial structure, its transportation links to all parts of the world, its major building boom and in its "industry of management".

A Head Office City requires many complex ingredients in order to attract what I like to call the industry of management. Vancouver has a small but vibrant money market linking both lender and borrower to eastern and international capital markets. Vancouver has important harbour and port facilities, modern railroad terminals, an international airport and excellent communications systems. Major office buildings have risen to tower over our skyline. We know also that urbanization will be one of the major developments in our city life during the 1970's. By the end of the decade almost 80 per cent of all Canadians will live in cities and in British Columbia at least 70 per cent of its population will live in the Lower Mainland region. Vancouver's expanded commercial facilities, its highly developed economic structure, its cultural life and its easy access to outstanding leisure facilities make it a highly attractive Head Office City.

Businessmen are finding it necessary

and desirable to establish their head offices in the Greater Vancouver area. Several large companies which made the move in 1970 are evidence of this. I find this a most satisfying development and it is one to which Bank of British Columbia is paying close attention.

The Next Decade

Although we have just experienced a difficult time, the long run view of the British Columbia economy is exceptionally bright. Certainly we have every reason to be optimistic. Endowed with abundant natural resources, a strategic location in the expanding markets of the Pacific rim and an attractive climate, we may expect an outstanding decade for British Columbia.

Consider, for example, the wealth of natural resources found in our province. Our timber and mineral wealth provides us with ample supplies of the very products which will be subject to increasing demand in the next few years. The case of forest products perhaps best illustrates this point. New housing starts will accelerate during this decade as the children born in the late 1940's and 1950's reach maturity, marry, have families of their own and demand housing. This demand will be superimposed upon the strong underlying demand that calls for a substantial upgrading of the already existing housing stock both in Canada and in the U.S.A.

I am reminded with increasing frequency of how quickly the major industrial nations of the world are exhausting their own basic resources. World demand for British Columbia's forest, mineral, fuel and food resources is increasing rapidly. Nevertheless, and this is an extremely important development, much more refining, processing and manufacturing must be established in our province. I see our province entering a stage of industrialization which has no precedent.

Our province has just entered its Centennial Year. We are commemorating the past 100 years since 1871 and we are proud of our many achievements in those years. I am certain that the second century will be one of even greater progress for British Columbia.



General Manager's Report



General Manager, VICTOR DOBB

Another record performance was established this year. Despite only two new branch openings, a consolidated effort in our existing branch system helped produce a fourfold increase in balance of revenue which, in turn, tripled our balance of profits for the year. This means that most of your bank's branches have 'turned the corner' and are now generally profitable.

In our 1970 fiscal year total deposits rose 79.6 per cent from \$59.6 million to \$107.1 million. Total assets increased by 63.9 per cent to \$121.3 million. Your bank has, because of this sizeable growth, been very liquid during all of 1970, which has meant that we have placed considerable emphasis upon the bank's lending program. In fact, our increase in balance of revenue was brought

about mainly by a determined effort to expand the lending side of our operation. Total loans increased by 78.8 per cent from \$38.2 million to \$68.3 million.

1970 was a year of high interest rates. Government followed very restrictive monetary and fiscal policies throughout the first half of the year which, in turn, pushed interest rates to record levels. Although loans and securities held by the bank earned high yields so too did savers. Our depositors have consistently received interest paid at rates better than those paid by other banks. Total revenues received by the bank increased by 117.6 per cent but interest paid on deposits increased by 156.2 per cent.

Loans

During most of our 1970 fiscal year, the monetary authorities in Ottawa maintained a strict policy of restraint, which was relaxed cautiously after the end of the second quarter. As a consequence chartered bank liquidity was generally strained, with the result that not all customer borrowing demands could be satisfied. Our bank's rate of growth, however, is at a pace sufficiently rapid that we generate additional funds with which to service the loaning function and at the same time maintain a high degree of liquidity. A 100 per cent expansion in loans other than to brokers and investment dealers was achieved in 1970, increasing from \$24.9 million to \$49.6 million. The make up of

this loan portfolio encompasses a wide range of borrowers, both individual and business. Included are personal demand and instalment loans covering all types of consumer purchases, stock and bond transactions, as well as Home Improvement Loans granted under the provisions of the National Housing Act. Loans to businesses are well diversified over the agricultural, industrial and commercial categories. These include loans to farmers, construction contractors, textile manufacturers, public utilities, iron and steel producers as well as loans to industry indigenous to British Columbia, particularly mining and forest products.

Our decision in November last to establish our prime rate at $\frac{1}{4}$ per cent lower than the other banks attests to our willingness to provide the most competitive rates in our market place. The early results of this decision are most encouraging.

Mortgages

Bank of British Columbia actively sought to lend to the housing market throughout 1970 and has subsequently encouraged lending policies aimed at private, single unit dwelling loan proposals. In this manner we felt that maximum advantages could be obtained by our clients. This policy is continuing on into the new year. Mortgages outstanding increased by 400 per cent in the year ended October 31, 1970.

Securities

Most bank liquidity is invested in various securities until the moneys can be loaned. The bank's security portfolio increased from \$23.4 million to \$35.1 million, a 50 per cent increase.

The bank's investments in high grade provincial and municipal bonds were increased, giving us the dual advantages of a satisfactory interest return combined with a relatively short term instrument. Much of our excess liquidity was invested in high quality commercial short term notes where the average term to maturity was less than 40 days. In this manner bank funds have realized earnings, yet are available at short notice when lending opportunities arise.

Income from securities increased by 59.0 per cent from \$1.2 million to \$1.9 million. This growth resulted from record high interest rates in the first half of 1970 and from significant gains made in our deposit base.

One of the special developments in this part of the bank's operation was the establishment of a formal Securities Department in the main branch in Vancouver. Although the bank has always had a securities department, we had not accentuated its activity. Several key securities personnel have joined the bank and they have developed a full-service Securities Department where bond trading and money market activities take place. We expect this department to contribute significantly both to the

bank's customers and to the bank's financial involvement in B.C.

Deposits

The bank produced good results in its efforts to build a sound deposit base. Personal savings deposits increased from \$10.7 million to \$20 million, an 86.9 per cent increase.

Other Deposits shown in our deposit liabilities increased from \$38.8 million to \$70.2 million. These are made up of Term Deposits of Corporations and Institutions, Current and Personal Chequing accounts, and Foreign Currency Deposits. Significant gains have been made in all categories and this trend will continue as our branch system expands. Personal savings attract the highest rates of any chartered bank in Canada. From February 1st, 1971, we will be paying 5 1/4 per cent on B.C. Banksavings accounts and 3 1/2 per cent on chequing savings.

Expenses

While total revenues increased by \$4.0 million, or 117.6 per cent, total expenses increased \$3.6 million or by 110.0 per cent. A substantial portion of this increase in expenses is attributable to our deposit growth and to higher rates of interest paid to our customers throughout most of 1970. Interest paid on deposits totalled \$4.1 million in 1970 compared to \$1.6 million in 1969, a 156.2 per cent increase.

Bank of British Columbia's payroll costs, including pension contributions and other staff benefits, rose 68.3 per cent to \$1.4 million. This reflected our growing requirements for additional staff to service the bank's expanding business.

Accumulated Appropriations For Losses

Each year chartered banks are permitted, within certain guidelines established by the Minister of Finance, to make a general appropriation for losses on a tax free basis dependent upon the dollar amount of loans outstanding. This year we allocated from operational revenues the sum of \$250,000 compared to \$70,000 last year.

With the swings in the economy producing wide variations in loss experience from year to year, as prudent bankers we intend to pursue a policy of building up this general reserve for the protection of our shareholders and clients. The fund now stands at \$474,000 and represents part of shareholders equity.

Branch Development

Two branches were opened in 1970, bringing our total branches to ten at the fiscal year end. Although we intended to establish more branches, unsettled conditions in the construction industry interfered with our branch development program. The bank did however open in Kelowna

and Kamloops and we have been extremely pleased with our reception in both these cities. These units are expected to make valuable contributions to the bank's earnings.

Because 1970 was a difficult year for branch development, we plan to open a greater number in 1971. In fact, one branch was opened during November in downtown Vancouver, while another was opened in the City of Vernon in December. Our North Vancouver branch opens early next month and other sites are under active development.

Branch banking is one of the unique characteristics of Canadian banking and certainly we realize its importance to you. That is why we are working to establish a proper network of branches throughout British Columbia. However, recognizing the drain on earnings which always accompanies new branch openings in the initial stages, we find we must steer a narrow course between adequate branch representation and a favourable earnings pattern.

International Banking

As we mentioned last year, the bank has an active and profitable international banking department. Our valued network of worldwide banking correspondents permits us to be active in the development of international trade transactions, which are important to the economy of both the country and the province.

A significant portion of our revenues is still generated from foreign exchange transactions. One major advantage in our bank's ability to be competitive is the very close liaison maintained between the bank's domestic and international money market desks, which work together to the mutual benefit of our customers and the bank. Most interbank dealings continue to occur on the West Coast of the U.S.A. in order to take advantage of the Pacific Coast time zone.

Personnel

One of the more pleasurable duties of the General Manager in his report is to pay tribute to the people who are directly responsible for those most satisfactory results which have just been highlighted. I am proud to say that your bank has, in its short history, gathered together an impressive team of people who are second to none in their enthusiasm, dedication and abilities.

Their loyalty and hard work on behalf of the bank is commendable and I wish to extend my personal appreciation for their strong support.

1971

In the year ahead we expect continued growth. The addition of new branches will lead to further increases in our deposit base which will in turn result in further growth in loans and securities outstanding.

We do not anticipate the rate of growth achieved in 1970 will carry through to 1971. As our base figures grow, obviously the percentage increases will become less dramatic. Further, our continued branch expansion program will erode profitability to some extent. However, we do expect 1971 will be a good year and one in which your bank is building for solid performance in the years ahead.

Scenic Cheques



The Bank of British Columbia Introduces Scenic Cheques to Canada

This year, your Bank was the first to introduce Scenic Cheques in Canada. The background photographs chosen record in an attractive and practical manner, the natural beauty of the province.





BANK OF BRITISH COLUMBIA

Statement of Revenue, Expenses and Undivided Profits

FOR THE FINANCIAL YEAR ENDED OCTOBER 31, 1970

(With comparative figures for preceding year)

1970 1969

Revenue:

Income from loans	\$ 5,127,170	\$ 2,024,844
Income from securities	1,967,211	1,236,909
Other operating revenue	300,284	122,590
Total revenue	<u>7,394,665</u>	<u>3,384,343</u>

Expenses:

Interest on deposits	4,066,555	1,618,267
Salaries, pension contributions and other staff benefits	1,407,056	835,926
Property expenses, including depreciation	453,183	268,109
Other operating expenses, including provision for losses on loans based on three-year (two-year in 1969) average loss experience	944,533	540,478
Total expenses	<u>6,871,327</u>	<u>3,262,780</u>
Balance of revenue	523,338	121,563
Appropriation for losses	250,000	70,000
Balance of profits before income taxes	273,338	51,563
Provision for income taxes relating thereto	116,000	—
Balance of profits for the year	157,338	51,563
Undivided profits at beginning of year	30,953	29,390
	<u>188,291</u>	<u>80,953</u>
Transferred to rest account	150,000	50,000
Undivided profits at end of year	<u>\$ 38,291</u>	<u>\$ 30,953</u>

BANK OF BRITISH COLUMBIA

Statement of Accumulated Appropriations for Losses

FOR THE FINANCIAL YEAR ENDED OCTOBER 31, 1970

(With comparative figures for preceding year)

1970 1969

Accumulated Appropriations at Beginning of Year:

General	\$ 311,466	\$ 250,000
Tax-paid	—	—
Total	<u>311,466</u>	<u>250,000</u>

Additions (Deductions) During Year:

Appropriation from current year's operations	250,000	70,000
Loss experience on loans less provision included in other operating expenses	(87,348)	(8,534)
	<u>162,652</u>	<u>61,466</u>

Accumulated Appropriations at End of Year:

General	474,118	311,466
Tax-paid	—	—
Total	<u>\$ 474,118</u>	<u>\$ 311,466</u>

Statement of Rest Account

FOR THE FINANCIAL YEAR ENDED OCTOBER 31, 1970

(With comparative figures for preceding year)

1970 1969

Balance at beginning of year	\$ 7,400,000	\$ 7,350,000
Transferred from undivided profits	150,000	50,000
Balance at end of year	<u>\$ 7,550,000</u>	<u>\$ 7,400,000</u>

BANK OF BRITISH COLUMBIA

Statement of Assets and Liabilities, as at October 31, 1970

(With comparative figures for preceding year)

	1970	1969
ASSETS		
Cash Resources:		
Cash and due from banks	\$ 10,252,214	\$ 9,428,903
Cheques and other items in transit, net	4,855,336	465,294
	<hr/>	<hr/>
	15,107,550	9,894,197
	<hr/>	<hr/>
Securities:		
Securities issued or guaranteed by Canada, at amortized value	5,306,057	3,880,072
Securities issued or guaranteed by provinces, at amortized value	1,929,236	541,801
Other securities, not exceeding market value	27,867,360	18,960,026
	<hr/>	<hr/>
	35,102,653	23,381,899
	<hr/>	<hr/>
Loans:		
Day, call and short loans to investment dealers and brokers, secured	18,722,413	13,309,005
Other loans, including mortgages, less provision for losses	49,567,164	24,881,207
	<hr/>	<hr/>
	68,289,577	38,190,212
	<hr/>	<hr/>
Bank premises, at cost less amounts written off	1,217,338	1,045,071
Securities of and loan to a corporation controlled by the Bank	661,509	142,811
Customers' liability under acceptances, guarantees and letters of credit, as per contra	722,336	1,184,991
Other assets	170,029	164,146
	<hr/>	<hr/>
	\$ 121,270,992	\$ 74,003,327
	<hr/>	<hr/>

LIABILITIES**Deposits:**

	1970	1969
Deposits by Canada	\$ 304,743	\$ 119,683
Deposits by a province	8,613,349	7,286,917
Deposits by banks	8,031,314	2,690,769
Personal savings deposits payable after notice, in Canada, in Canadian currency	19,962,531	10,706,439
Other deposits	70,222,510	38,834,445
	<hr/> 107,134,447	<hr/> 59,638,253
Acceptances, guarantees and letters of credit	722,336	1,184,991
Other liabilities	246,250	332,114
Accumulated appropriations for losses	474,118	311,466

Shareholders' Equity:**Capital:**

Authorized 1,000,000 shares par value \$10 each		
Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest account	7,550,000	7,400,000
Undivided profits	38,291	30,953
	<hr/> 12,693,841	<hr/> 12,536,503
	<hr/> \$ 121,270,992	<hr/> \$ 74,003,327

ALBERT E. HALL, *President*VICTOR DOBB, *General Manager***Auditors' Report to the Shareholders**

We have examined the statement of assets and liabilities of Bank of British Columbia as at October 31, 1970 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the foregoing statements present fairly the financial position of the Bank as at October 31, 1970 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

Auditors

D. LUKIN JOHNSTON, F.C.A. of Price Waterhouse & Co.
R. W. UNDERHILL, F.C.A. of Peat, Marwick, Mitchell & Co.

Vancouver, British Columbia, November 20, 1970

STATEMENT OF A CONTROLLED CORPORATION—BBC REALTY LTD.

Statement of Assets and Liabilities, as at October 31, 1970

(With comparative figures for preceding year)

	1970	1969
Assets		
Agreement receivable	\$ 144,002	\$ —
Land and buildings, at cost less accumulated depreciation	535,187	461,904
Other assets	989	1,098
	<u><u>\$ 680,178</u></u>	<u><u>\$ 463,002</u></u>
Liabilities		
Loan from Bank of British Columbia	\$ 651,509	\$ 132,811
Other liabilities	18,669	320,191
Capital stock:		
Authorized 10,000 shares, par value \$100 each		
Issued and fully paid, 100 shares	10,000	10,000
	<u><u>\$ 680,178</u></u>	<u><u>\$ 463,002</u></u>

NOTE:

The Bank owns the entire capital stock of BBC Realty Ltd. which is carried on the books of the Bank at \$10,000.

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the statement of assets and liabilities of BBC Realty Ltd., a controlled corporation, as at October 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement of assets and liabilities presents fairly the financial position of the corporation as at October 31, 1970.

Auditors

D. LUKIN JOHNSTON, F.C.A. of Price Waterhouse & Co.
R. W. UNDERHILL, F.C.A. of Peat, Marwick, Mitchell & Co.

Vancouver, British Columbia, November 20, 1970



Minutes of the 3rd Annual General Meeting of the Shareholders

The Third Annual General Meeting of the Shareholders of Bank of British Columbia was held in the British Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, on Thursday, January 19th, 1971, at 11:00 a.m.

It was moved by Mr. J. Bene, seconded by Mr. H. B. Elworthy: "That Mr. A. E. Hall be appointed Chairman and Mr. D. M. Clark be appointed Secretary of the meeting and that Mr. P. H. Widdifield and Mr. E. Jones be appointed Scrutineers to compute the votes of any ballots taken at the meeting and to report thereon to the Chairman."

MOTION CARRIED.

The notice of meeting was read by the Secretary. Mr. Hall advised the meeting that he had received satisfactory proof that the notice calling the meeting had been duly publicized in accordance with the Bank Act and sent to each shareholder of the Bank and, as a quorum was present, he declared the meeting duly constituted.

Mr. Hall then addressed the meeting as follows: "It gives us a great deal of pleasure to see such a large number of shareholders in attendance today, particularly in view of transportation difficulties. Your interest in the progress of the Bank is encouraging to Management and we would like you to know how much we appreciate the help and assistance many of you are giving in directing business to this Bank. We hope you will find today's proceedings interesting and informative."

Mr. Hall stated that minutes of the Second Annual General Meeting had been circulated to all of the shareholders and Mr. J. B. Smith moved: "That Minutes of the Second Annual General Meeting of the shareholders of the Bank held on January 20th, 1970, copies of which have been mailed to the shareholders, be taken as if read, and approved and adopted."

The motion was seconded by Mr. K. A. W. Long.

MOTION CARRIED.

Mr. Hall then stated: "Copies of the Statement of Assets and Liabilities of the Bank and of the Statements of the Rest Account, Revenue, Expenses and Undivided Profits, and Accumulated Appropriations for Losses have been forwarded to every shareholder in advance of this meeting and, as you have copies of these Statements before you, we will forego, with your approval, the actual reading of these Statements, except for the Auditors' Report appended to the Bank's financial statement and the Directors' Report."

The Chairman then called upon the Secretary to read the Directors' and Auditors' Reports.

Directors' Report

"The Directors of Bank of British Columbia take pleasure in submitting to the shareholders their report on the results of the Bank's operations for the financial year ended October 31st, 1970, and the Third Annual Statement which contains Statements of the Rest Account, Revenue, Expenses and Undivided Profits,

Accumulated Appropriations for Losses, and a Statement of Assets and Liabilities as of that date, together with a Statement of Assets and Liabilities of the Bank's controlled corporation, BBC Realty Ltd., annexed thereto.

Since October 31st, 1969, two new branches of the Bank were opened making a total of ten branches of the Bank at the fiscal year end. All branches of the Bank which were opened prior to April 30th, 1970 have been inspected by the Bank's inspecting officers during the fiscal year.

The Auditors appointed by the shareholders, R. W. Underhill, F.C.A., and Derek Lukin Johnston, F.C.A., have made their examination of the Bank's affairs and their report accompanies the annual statements.

A. E. Hall, Chairman.

The "Auditors' Report" to Shareholders was then read. (The Auditors' Report appears on page 17.)

Mr. Hall then introduced the General Manager to the Shareholders as follows: "On October 1st last, Mr. Victor Dobb was appointed General Manager of your Bank. He came to Bank of British Columbia with a background of some 30 years' banking experience which commenced in London, England and continued with one of Canada's major banks. He is an experienced banker and we are pleased to have him as our General Manager. I will now call upon him to give his report." (Mr. Dobb's report appears on pages 9 to 11.)

Mr. Hall, in response to a question of shareholder, Mr. Robert Whitten, explained the composition of the Bank's Rest Account.

It was then moved by Mr. A. E. Hall, seconded by Mr. C. E. Hall, that the annual statements for the fiscal year ended October 31st, 1970 and Auditors' Report thereon be adopted.

MOTION CARRIED.

Mr. A. E. Hall then addressed the meeting. (Mr. Hall's address appears on pages 4 to 7.)

It was moved by Mr. W. C. Mearns, seconded by Mr. R. J. Bennett, "that Richard W. Underhill, F.C.A., of Peat, Marwick, Mitchell & Co., and Derek Lukin Johnston, F.C.A., of Price Waterhouse & Co., be appointed auditors of the Bank to hold office until the next Annual General Meeting and that their remuneration for the ensuing year be fixed at a sum not to exceed \$16,000, said amount to be divided between them in such manner as the Directors shall consider just and reasonable."

MOTION CARRIED.

Mr. Hall then requested the shareholders to mark Ballot "A" for the appointment of Auditors to be collected by the usherettes later.

Mr. Hall stated: "The meeting is now open for the nomination of Directors for the ensuing year, 15 to be elected, and I would ask the Secretary to read the list of proposed Directors who are eligible for election."

The Secretary then read the following names:
John Bene

Russell J. Bennett
John A. Brusset
Bernard O. Brynelsen
Donald M. Clark
Ralph T. Cunningham
Harold B. Elworthy
Einar M. Gunderson
Albert E. Hall
Coleman E. Hall
Watson T. Hunter
Kenneth A. W. Long
William C. Mearns
John A. McMahon
J. Bruce Smith

Mr. W. Thomas Brown then nominated each of the persons whose name had been read by the Secretary.

Mr. Hall asked if there were any other nominations and, there being none, he declared nominations closed. Mr. Hall then requested shareholders to mark Ballot "B" for the election of Directors and requested that Ballots "A" and "B" be collected and delivered to the Scrutineers.

It was moved by Mr. J. A. Brusset, Seconded by Mr. W. T. Hunter, "that Albert E. Hall, or failing him Harold B. Elworthy, or failing him Donald M. Clark, be and is hereby appointed the true and lawful attorney of the Bank with power of substitution to attend and vote for and in the name of the Bank at any and all meetings of the shareholders of BBC Realty Ltd."

MOTION CARRIED.

While waiting for the report of the Scrutineers, Mr. Hall answered questions of shareholders, Mr. Robert Whitten, and Mrs. Mable Child, concerning BBC Realty Ltd.,

the share capital of the Bank and the publication of a monthly informational letter.

Mr. John Chaston, on behalf of the shareholders, expressed appreciation for the services of the Chairman and Directors and moved a vote of thanks to the Board. Mr. Ferdinand Mix seconded the motion and it was passed unanimously by the shareholders.

Upon receipt of the report of the Scrutineers the Chairman announced that Ballot "A" for the appointment of Auditors and Ballot "B" for the election of Directors had both been carried.

There being no further business, the Chairman then thanked the shareholders for their attendance at the meeting and asked those who had not already done so to hand their attendance cards to the usherettes, and declared the meeting terminated.

A. E. HALL, Chairman

At the Meeting of the Board of Directors held subsequent to the Annual General Meeting of Shareholders the following Officers were elected:

ALBERT E. HALL,
Chairman of the Board,
President and Chief Executive Officer
EINAR M. GUNDERSON, F.C.A.,
Honorary President

HAROLD B. ELWORTHY,
Vice President

DONALD M. CLARK, Q.C.,
Secretary

Executive Officers

ALBERT E. HALL,
Chairman of the Board and President
 VICTOR DOBB,
General Manager

Assistant General Managers
 HUGH DALGLEISH, *Credit*
 F. PETER DARLING, *International*
 G. HOWARD EATON, *Investments*

Assistant to the President
 FRED W. VANSTONE
Chief Inspector
 CAROL J. NORDSTROM

Chief Accountant
 A. J. GRAHAM
Assistant Chief Accountant
 (Miss) E. M. HILDITCH
Senior Supervisors
 T. C. BRENNEN, *International*
 D. J. CARLIN, *Premises*
 H. FETIGAN, *Personnel*
 G. H. FRIES, *Administration*
 K. H. G. MAY, *Operations*

Superintendent
 J. M. A. BRIDEN, *Credit*
Supervisors
 H. J. BOW, *International*
 A. E. MILES-PICKUP, *Investments*
 P. E. PALM, *Credit*
Special Representative
 JAMES C. H. TSOW, *International*

Branches

VANCOUVER
 Main — 999 W. Pender Street

F. H. MOWATT
Manager
 R. PATON
Deputy Manager
 D. DUKE
Assistant Manager
 J. J. RIVARD
Assistant Manager
 K. S. RUSTAND
Assistant Manager
 J. PANKRATZ
Assistant Manager, Administration
 R. B. HAWKESWORTH
Assistant Manager, Securities

Fraser and 48th
 W. F. PADDON, *Manager*

937 W. Georgia Street
 J. W. FRIES, *Manager*
 A. H. D. JOHNSTON, *Assistant Manager*

Granville and 13th
 J. ROSENKRANDS, *Manager*

Hastings and Penticton
 A. M. HUMPHREYS, *Manager*

New Westminster
 731 Columbia Street
 A. C. GRAHAM, *Manager*
 O. N. WELDE, *Assistant Manager*

North Vancouver
 1457 Lonsdale Avenue
 J. W. SORENSEN, *Manager*

Victoria
 Main — 752 Fort Street
 H. J. STEELE, *Manager*

Douglas and Johnson
 R. R. THOMPSON, *Manager*

Kamloops
 380 Victoria Street
 J. D. AUSTEN, *Manager*

Kelowna
 313 Bernard Avenue
 R. E. SWAIL, *Manager*

Nanaimo
 70 Commercial Street
 W. W. ALLEN, *Manager*

Vernon
 3321 Barnard Avenue
 J. D. KEMILA, *Manager*





**Bank of British Columbia's International Network of Banking Correspondents
covers most Major Financial Centres in the World.**



BANK OF BRITISH COLUMBIA

Head Office: 1725 Two Bentall Centre, Vancouver, British Columbia